

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF BESSEMER - RAMSAY, MI
GOGEbic COUNTY
March 31, 2006**

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bessemer	County Gogebic
Audit Date 3/31/2006	Opinion Date 7/13/2006	Date Accountant Report Submitted to State: 8/28/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

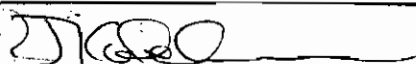
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland	City Ironwood	State MI	ZIP 49938
Accountant Signature 			

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Bessemer as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

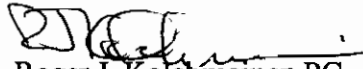
We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Bessemer as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 13, 2006, on our consideration of Township of Bessemer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 4 through 11 and page 50, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Bessemer's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
July 13, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Year ended March 31, 2006

Management's Discussion and Analysis

This section of the Township of Bessemer's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2006.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except fiduciary funds. All current year revenues and expenses are reported in the statement of activities. These are new statements that have not been required or provided in past years but are now required based on government auditing and accounting standards. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains one governmental fund, which is the general fund. The Township adopts an annual budget for the general fund. To demonstrate compliance with their adopted budget, a comparison has been provided under the "Other Financial Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has four proprietary fund types- enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Funds is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary fund for the Township is the Tax Collection Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2006 and 2005.

	Governmental	March 31, 2006 Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$380,500	\$209,431	\$589,931
Other assets	115,865	86,934	202,799
Non-current Assets			
Restricted cash	127,118	31,828	158,946
Capital Assets, net	539,083	979,296	1,518,379
TOTAL ASSETS	\$1,162,566	\$1,307,489	\$2,470,055

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

	<u>March 31, 2006</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$54,155	\$50,342	\$104,497
Non-current Liabilities	35,443	387,000	422,443
TOTAL LIABILITIES	89,598	437,342	526,940
NET ASSETS			
Investment in capital assets net of related debt	496,718	587,796	1,084,514
Restricted	127,118	31,828	158,946
Unrestricted	449,132	250,523	699,655
TOTAL NET ASSETS	1,072,968	870,147	1,943,115
TOTAL LIABILITIES AND NET ASSETS	\$1,162,566	\$1,307,489	\$2,470,055

For governmental activities, net assets increased by \$74,233 during the fiscal year. For business-type activities, net assets decreased by \$19,448 during the year.

	<u>March 31, 2005</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$190,432	\$117,443	\$307,875
Other assets	336,402	202,321	538,723
Non-current Assets			
Restricted cash	83,793	94,986	178,779
Capital Assets, net	426,009	1,023,975	1,449,984
TOTAL ASSETS	\$1,036,636	\$1,438,725	\$2,475,361
LIABILITIES			
Current Liabilities	\$36,654	\$157,630	\$194,284
Non-current Liabilities	1,247	391,500	392,747
TOTAL LIABILITIES	37,901	549,130	587,031
NET ASSETS			
Investment in capital assets net of related debt	426,009	632,475	1,058,484
Restricted	83,793		83,793
Unrestricted	488,933	257,120	746,053
TOTAL NET ASSETS	998,735	889,595	1,888,330
TOTAL LIABILITIES AND NET ASSETS	\$1,036,636	\$1,438,725	\$2,475,361

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER

Statement of Activities

The results of operations for Bessemer Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for both governmental and business-type activities. The following is a condensed statement of activities for the years ended March 31, 2006 and 2005.

	Governmental <u>Activities</u>	<u>March 31, 2006</u> Business-Type <u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$37,277	\$308,341	\$345,618
General Revenue:			
Property taxes	299,876		299,876
Other income	8,146		8,146
Unrestricted grants	126,161		126,161
Interest income	8,526	3,742	12,268
Total Revenue	<u>\$479,986</u>	<u>\$312,083</u>	<u>\$792,069</u>
EXPENSES:			
General Government	\$220,122		\$220,122
Public Safety	47,935		47,935
Public Works	71,692		71,692
Recreation and Culture	21,645		21,645
Other Expenses	42,969		42,969
Total Expenses	<u>\$404,363</u>	<u>\$</u>	<u>\$404,363</u>
Business-Type Activities:			
Water & Sewer Expenses		\$331,531	\$331,531
Increase (Decrease) in Net Assets	\$75,623	(\$19,448)	\$56,175
Restated capital assets 3/31/05	(1,360)		(1,360)
Net Assets, Beginning of Year	998,735	889,595	1,888,330
Net Assets, End of Year	<u>\$1,072,968</u>	<u>\$870,147</u>	<u>\$1,943,115</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF BESSEMER**

		<u>March 31, 2005</u>	
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
REVENUES			
Program Revenue:			
Charges for services	\$64,685	\$280,826	\$345,511
General Revenue:			
Property taxes	302,033		302,033
Other income	5,720		5,720
Unrestricted grants	110,188		110,188
Transfers from other funds	62,101		62,101
Total Revenue	<u>\$544,727</u>	<u>\$280,826</u>	<u>\$825,553</u>
EXPENSES:			
General Government	\$214,022		\$214,022
Public Safety	66,642		66,642
Public Works	161,255		161,255
Recreation and Culture	14,252		14,252
Community Development	17,150		17,150
Other Expenses	33,577		33,577
Total Expenses	<u>\$506,898</u>	<u>\$</u>	<u>\$506,898</u>
Business-Type Activities:			
Water & Sewer Expenses		\$306,786	\$306,786
Increase (Decrease) in Net Assets	\$37,829	(\$25,960)	\$11,869
Net Assets, Beginning of Year	960,906	915,555	1,876,461
Net Assets, End of Year	<u>\$998,735</u>	<u>\$889,595</u>	<u>\$1,888,330</u>

Governmental Activities

Property taxes and other tax revenues comprise \$299,876 or approximately 63 percent of total governmental revenues. The Township also collected \$37,277 for services provided. And, at year end the Township reported \$126,161 in grants not restricted for specific purposes. This amount was due to revenue sharing from the State of Michigan and comprises 26 percent of total governmental revenues.

The Township expended \$404,363 on governmental programs and services. Some of the largest expense categories were for general government and public works where \$220,122 (54%) and \$71,692 (18%), respectively, were reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Business-Type Activities

Business-type activities decreased the Township's net assets by \$19,448. Charges for services for water and sewer activities for the year were \$308,341 and expenditures amounted to \$331,531. Besides water and contractual services, the Township's financial commitment to Gogebic Range Water Authority for administrative support and debt service payments amounted to \$57,608. Also, the Township Board raised water and sewer rates to offset rising costs and to increase our cash reserves

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's general fund balance sheet reported a fund balances of \$577,414 of which \$127,118 is reserved and the remaining \$450,296 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 8% greater than the budget and expenditures 20% less than the budgeted amount. Significant negative expenditures variances were recorded for general government, public works and other expense category.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds as of March 31, 2006 were \$16,166 and \$233,104 respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF BESSEMER

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2006 was \$1,518,379.

Major capital expenditures for governmental funds were for Township's infrastructure right of way improvements on County Roads, which required a local match of \$94,948 and the lease/purchase of a tractor/mower at a cost of \$54,732.

The Township had \$435,029 of long-term liabilities at March 31, 2006. This amount consists of \$391,500 of a revenue bond payable as described in Note M to the financial statements, a \$42,365 lease/purchase financing contract as described in Note M to the financial statements and \$1,164 of accrued paid time off benefits payable to employees as described in Note L to the financial statements.

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of Bessemer
PO Box 304
Ramsay, MI 49959

TOWNSHIP OF BESSEMER
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$380,500	\$209,431	\$589,931
Accounts receivable-net	37,783	67,374	105,157
Delinquent taxes receivable	25,887		25,887
Due from other funds	41,867	12,593	54,460
Accrued interest income	868	100	968
Deferred charges	6,955	3,458	10,413
Inventory (at cost)	2,505	3,409	5,914
TOTAL CURRENT ASSETS	\$496,365	\$296,365	\$792,730
NON-CURRENT ASSETS			
Restricted cash	127,118	31,828	158,946
Capital assets	1,113,628	1,897,772	3,011,400
Accumulated depreciation	(574,545)	(918,476)	(1,493,021)
TOTAL NON-CURRENT ASSETS	666,201	1,011,124	1,677,325
TOTAL ASSETS	\$1,162,566	\$1,307,489	\$2,470,055
LIABILITIES			
Current Liabilities:			
Accounts payable	\$33,252	\$15,685	\$48,937
Accrued wages/taxes	7,192	1,962	9,154
Accrued interest payable		5,875	5,875
Due to other funds	5,625	22,320	27,945
Current maturity on long-term debt	8,086	4,500	12,586
TOTAL CURRENT LIABILITIES	\$54,155	\$50,342	\$104,497
NON-CURRENT LIABILITIES			
Lease purchase	42,365		42,365
Bonds payable		391,500	391,500
Accrued compensated absences	1,164		1,164
Current maturity on long-term debt	(8,086)	(4,500)	(12,586)
TOTAL NON-CURRENT LIABILITIES	35,443	387,000	422,443
TOTAL LIABILITIES	\$89,598	\$437,342	\$526,940
NET ASSETS			
Investment in capital assets, net of related debt	\$496,718	\$587,796	\$1,084,514
Reserved	127,118	31,828	158,946
Unreserved	449,132	250,523	699,655
TOTAL NET ASSETS	\$1,072,968	\$870,147	\$1,943,115
TOTAL LIABILITIES AND NET ASSETS	\$1,162,566	\$1,307,489	\$2,470,055

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$220,122	\$5,954	(\$214,168)
Public safety	47,935	3,461	(44,474)
Public works	71,692	27,862	(43,830)
Recreation and culture	21,645		(21,645)
Other	42,969		(42,969)
Total Governmental Activities	\$404,363	\$37,277	(\$367,086)
Business-type Activities			
Water	\$213,331	\$209,347	(3,984)
Sewer	118,200	98,994	(19,206)
Total Business – type Activities	\$331,531	\$308,341	(\$23,190)
Total	\$735,894	\$345,618	(\$390,276)
Changes in Net Assets			
	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$367,086)	(\$23,190)	(\$390,276)
General Revenues:			
Property taxes	299,876		299,876
State-Shared revenues	126,161		126,161
Investment income	8,526	3,742	12,268
Other income	8,146		8,146
Total General Revenues	\$442,709	3,742	\$446,451
Changes in Net Assets	\$75,623	(\$19,448)	\$56,175
Restated capital assets for duplicate items	(1,390)		(1,390)
Net Assets at Beginning of Year	998,735	889,595	1,888,330
Net Assets at End of Year	\$1,072,968	\$870,147	\$1,943,115

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
BALANCE SHEET
GENERAL FUND
March 31, 2006

ASSETS

Current Assets:	
Cash and cash equivalents	\$380,500
Accounts receivable-net	37,783
Delinquent taxes receivable	25,887
Due from other funds	41,867
Accrued interest income	868
Deferred charges	6,955
Inventory (at cost)	2,505
TOTAL CURRENT ASSETS	\$496,365

NON-CURRENT ASSETS

Restricted cash	127,118
TOTAL NON-CURRENT ASSETS	127,118
TOTAL ASSETS	\$623,483

LIABILITIES

Current Liabilities	
Accounts payable	\$33,252
Accrued wages/taxes	7,192
Due to other funds	5,625
TOTAL CURRENT LIABILITIES	\$46,069

TOTAL LIABILITIES	\$46,069
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FUND EQUITY

Reserved	127,118
Unreserved	450,296
TOTAL FUND BALANCES	\$577,414
TOTAL LIABILITIES AND FUND BALANCES	\$623,483

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds	\$577,414
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of :	539,083
Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	(1,164)
Lease purchase agreement	(42,365)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$1,072,968

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
Year ended March 31, 2006

REVENUES:

Taxes	\$272,018
Other taxes	11,216
Tax administrative fees	12,739
Licenses and permits	3,461
Rentals	5,954
Federal shared revenues	3,903
State shared revenues	126,161
Charges for services	27,862
Interest	8,526
Other revenue	8,146
	<hr/> \$479,986

EXPENDITURES

Legislative	\$50,773
General government	176,267
Public safety	37,625
Public works	152,838
Recreation and culture	16,073
Other	42,969
	<hr/> \$476,545

EXCESS OF REVENUES (EXPENDITURES) 3,441

OTHER FINANCING SOURCES (USES)

Transfers to/from other funds

EXCESS OF REVENUES (EXPENDITURES) AND OTHER FINANCING USES \$3,441

Fund Balance at 3/31/2005

573,973

FUND BALANCE MARCH 31, 2006

\$577,414

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

March 31, 2006

Net change in fund balances – Total Governmental Funds	\$3,441
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	170,333
Depreciation expense	(52,378)
Loss on disposal of assets	(2,244)
Some expenses reported in the Statement of Activities such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	(1,164)
Lease purchase agreement	(42,365)
Change in Net Assets of Governmental Activities	<u>\$75,623</u>

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
STATEMENT OF NET ASSETS-PROPRIETARY FUNDS
March 31, 2006

	Business type Activities- Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
	<u>Fund</u>	<u>Funds</u>	
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$51,822	\$157,609	\$209,431
Accounts receivable-net	43,968	23,406	67,374
Due from other funds	18,182	104,770	122,952
Accrued interest income	100		100
Deferred charges	2,076	1,382	3,458
Inventory (at cost)	3,409		3,409
Total Current Assets	119,557	287,167	406,724
RESTRICTED ASSETS:			
Cash		31,828	31,828
Total Restricted Assets		31,828	31,828
NONCURRENT ASSETS:			
Property, plant and equipment	141,409	1,756,363	1,897,772
Accumulated depreciation	(126,139)	(792,337)	(918,476)
Total Non-Current Assets	15,270	964,026	979,296
TOTAL ASSETS	\$134,827	\$1,283,021	\$1,417,848
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$13,087	\$2,598	\$15,685
Accrued wages/taxes	1,962		1,962
Accrued interest payable		5,875	5,875
Due to other funds	88,342	44,337	132,679
Current maturity on long-term debt		4,500	4,500
Total Current Liabilities	103,391	57,310	160,701
LONG TERM LIABILITIES			
Revenue bonds payable		391,500	391,500
Less current maturity on long-term debt		(4,500)	(4,500)
TOTAL LIABILITIES	103,391	444,310	547,701
NET ASSETS:			
Investment in capital assets, net of related debt	15,270	572,526	587,796
Reserved		31,828	31,828
Unreserved	16,166	234,357	250,523
TOTAL NET ASSETS	31,436	838,711	870,147
TOTAL LIABILITIES AND NET ASSETS	\$134,827	\$1,283,021	\$1,417,848

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2006

	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$195,388	\$96,666	\$292,054
Other revenues	6,950	2,328	9,278
Total Operating Revenues	202,338	98,994	301,332
Operating and administrative expenses:			
Wages and taxes	26,046	13,744	39,790
Water purchased/contract cost	83,256	19,417	102,673
Operating supplies/maintenance	15,538	2,649	18,187
Transportation	2,786	2,738	5,524
Utilities	7,879	7,864	15,743
Rental	3,460	2,306	5,766
Insurance	4,782	6,217	10,999
Administration	10,758	1,090	11,848
Contributions-GRWA	57,608		57,608
Provision for depreciation	1,218	44,534	45,752
Total Operating Expenses	213,331	100,559	313,890
Operating income (loss)	(10,993)	(1,565)	(12,558)
Non-operating revenues (expenses)			
Interest income	1,402	2,340	3,742
Debt service/tap in fees	7,009		7,009
Bond interest expense		(17,641)	(17,641)
Net Income (loss) before Transfers	8,411	(15,301)	(6,890)
Change in Net Assets	(2,582)	(16,866)	(19,448)
Net Assets - March 31, 2005	34,018	855,577	889,595
NET ASSETS - MARCH 31, 2006	\$31,436	\$838,711	\$870,147

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS TYPES
Year ended March 31, 2006

	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$212,903	\$113,634	\$326,537
Payments to supplies	(197,159)	(42,338)	(239,497)
Payments to employees	(32,003)	(13,744)	(45,747)
Net Cash Provided (Used) by Operating Activities	(16,259)	57,552	41,293
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Debt service proceeds	7,009		7,009
Purchase of capital assets	(1,072)		(1,072)
Principal paid on bonds payable		(4,500)	(4,500)
Interest paid on bonds payable		(17,641)	(17,641)
Net Cash Provided (Used) for Capital and Related Financing Activities	5,937	(22,141)	(16,204)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest received on investments	1,402	2,339	3,741
Net Cash Provided (Used) by Investing Activities	1,402	2,339	3,741
Net Increase (Decrease) in Cash	(8,920)	37,750	28,830
Cash and Cash Equivalents, March 31, 2005	60,742	151,687	212,429
CASH AND CASH EQUIVALENTS, March 31, 2006	\$51,822	\$189,437	\$241,259
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(\$10,993)	(\$1,565)	(\$12,558)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:			
Depreciation/amortization	1,218	44,534	45,752
Change in assets and liabilities:			
Accounts receivable	3,556	15,893	19,449
Due from other funds	(10,619)	(2,706)	(13,325)
Inventory	2,426		2,426
Accrued interest income	(64)		(64)
Deferred charges	(2,076)	(1,382)	(3,458)
Accounts payable	(4,398)	(223)	(4,621)
Accrued wages/taxes	668		668
Accrued interest payable		(78)	(78)
Due to other funds	4,023	3,079	7,102
Net Cash Provided by Operating Activities	(\$16,259)	\$57,552	\$41,293

Noncash investing, capital and financing activities: None

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2006

ASSETS

Cash and cash equivalents
Due from other funds

\$101,260

TOTAL ASSETS

\$101,260

LIABILITIES

Due to other funds
Due to others

\$23,515

77,745

TOTAL LIABILITIES

\$101,260

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Township of Bessemer was organized in the late 1800's under the Northwest Ordinance of 1787. It operates under an elected Board of Trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial-reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district; regional water authority; regional solid waste authority and regional waste water authority are not included as component units in the financial statements of the Township. These various types of services are provided by separate governmental entities.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Proprietary Fund Types

Enterprise Funds – Water Supply and Sewer Disposal System Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

Fiduciary Fund Type (Not included in government-wide statements)

Agency Funds – The Tax Collection Fund is used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. This fund is custodial in nature and does not involve measurement of results of operations.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are classified as major funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Water	Account for revenues and expenses of providing Water services to the public.
3. Sewer	Account for revenues and expenses of providing Sewer services to the public.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end except for State Shared Revenues collected after sixty days which are earmarked for the period under audit. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note G for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. No allowances for uncollectible accounts receivable are recognized since any delinquencies can be placed upon the tax roll.

Inventories

Inventories of Governmental Fund types operating supplies and Proprietary Fund (Water Fund) types are valued at cost and inventory is taken at year end by Township's representatives.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$2,000 and \$1,000 for capital betterments and equipment additions. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. Capital assets for proprietary funds are recognized on assets costing over \$500 and with a useful life of over three years. Infrastructure improvements have been capitalized as of April 1, 2004 when such capital improvements exceeded \$5,000.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation has been provided over the useful lives using the straight-line method of depreciation. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Buildings and improvements	40-50 Years
Utility Systems	40-50 Years
Machinery and Equipment	5-10 Years
Vehicles	5 Years
Infrastructure (ROW)	20 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Reserved Assets

Reserved assets include cash and investments that are restricted as to their use. The primary restricted assets are related to cash accounts established to be used for capital projects and debt retirement.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable and accrued compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Fund Statement

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and components units that are controlled by or dependent on the Township's executive or legislative branches.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
 2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
 3. Public hearings are held to obtain taxpayer comments.
 4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
 5. The budgets are adopted on the modified accrual basis of accounting.
 6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
 7. Budget appropriations lapse at the end of each fiscal year.
 8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.
- Budgets are not required for the operations of the Proprietary Fund types.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Restatement of March 31, 2005 Net Assets

The Township has restated its net assets as of March 31, 2005, to correct the reported amounts for duplicated asset holdings and increase reporting threshold range with related accumulated depreciation on governmental activities capital assets. The restatement is a decrease in net assets of \$1,390.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Proprietary Fund Type consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods, and/or services. It also includes are revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Expenditures/Expenses

In government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character:	Current (further classified by function)
	Debt Service
	Capital Outlay

Proprietary Fund – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued. Certificates of Deposit are recorded at cost, which approximates market value.

Following is a summary of the carrying amount of cash at March 31, 2006:

Cash deposited in banks insured by federal depository insurance	\$428,776
Cash on hand	99
Funds in excess of insurance limits	456,384
Less outstanding items	(35,122)
Total	<u>\$850,137</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

The restricted assets consist of cash accounts restricted as follows:

General Fund	
Equipment replacement Account	\$120,054
Escrow – Taxpayer monies pending cleanup of fire damage	7,064
Total	<u>\$127,118</u>
 Anvil Sewer Fund	
Bond Reserve Account – to be	
Used for retirement of revenue bonds	\$8,271
Debt Retirement Account – to be	
Used for retirement of debt	929
Total	<u>\$9,200</u>
 Ramsay Sewer Fund	
Bond Reserve Account to be	
Used for retirement of revenue bonds	\$8,110
Debt Retirement Account - to be	
Used for retirement of debt	14,517
Total	<u>\$22,627</u>

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$37,783	\$	\$37,783
Water Fund	\$43,966	\$	\$43,966
West End Sewer	\$ 2,213	\$	\$ 2,213
Anvil Sewer	\$ 9,984	\$	\$ 9,984
Ramsay Sewer	\$11,209	\$	\$11,209

General Fund - generally consists of delinquent tax monies and administrative fees; state shared revenues; and reimbursable preliminary engineering fees on a water project.

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2006.

Customer billing for the quarter ended March 2006	\$56,730
Delinquent billings	10,642
Total	<u>\$67,372</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible and accordingly, there is no allowance for doubtful accounts.

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2005 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Collected</u>
Real/Personal Property taxes:			
County	\$248,634	\$23,310	\$225,324
School/SET	749,654	50,973	698,681
Township	279,027	25,546	253,481
CFR	22,422	4,705	17,717
SAD	78,032	15,446	62,586
Delinquent Utilities	2,668	2,668	
Totals:	<u>\$1,380,437</u>	<u>\$122,648</u>	<u>\$1,257,789</u>

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2005 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2006, which would require specific disclosure.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE G - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2006, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General-		Tax Fund-	
Water Fund	\$18,112	General Fund	\$19,548
Tax Fund	19,548	Water Fund	6,967
Anvil Sewer	2,902	West-End Sewer-	
Ramsay Sewer	1,305	Water Fund	11,215
West End Sewer-		Ramsay Sewer-	
General Fund	5,625	Anvil Sewer	24,603
Ramsay Sewer	4,311	West End Sewer	4,311
Anvil Sewer-		General Fund	1,305
Water Fund	45,930	Anvil Sewer -	
Ramsay Sewer	24,603	General Fund	2,902
Water Fund-		Water Fund-	
West End Sewer	11,215	Ramsay Sewer	24,300
Tax Fund	6,967	General Fund	18,112
Ramsay Sewer-		Anvil Sewer	45,930
Water Fund	24,300	General Fund-	
		West End Sewer	5,625
Totals	<u>\$164,818</u>	Totals	<u>\$164,818</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE H – CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at			Balance at
Capital Assets not Depreciated	March 31, 2005	<u>Additions</u>	<u>Deletions</u>	<u>March 31, 2006</u>
Land	\$12,928	\$	\$	\$12,928
Capital Assets being Depreciated				
Buildings and improvements	437,230		7,100	430,130
Equipment, fixtures, furniture	477,860	75,385	45,820	507,425
Infrastructure	68,197	94,948		163,145
Subtotals	\$983,287	\$170,333	(\$52,920)	\$1,100,700
Less Accumulated Depreciation	(571,596)	(52,378)	49,429	(574,545)
Net Capital Assets Being Depreciated	\$411,691	\$117,955	(3,491)	\$526,155
Net	\$424,619	\$117,955	(\$3,491)	\$539,083

NOTE I - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2006 follows:

	Water Supply Fund:			
Business-Type Activities	Balance at			Balance at
Capital Assets not Depreciated	March 31, 2005	Additions	Deletions	March 31, 2006
Land and land rights	\$5,001	\$	\$	\$5,001
Capital Assets being Depreciated				
Equipment	63,599	1,072		64,671
Utility plant	71,737			71,737
Subtotals	\$135,336	\$1,072	\$	\$136,408
Less Accumulated Depreciation	(124,921)	(1,218)		(126,139)
Net Capital Assets Being Depreciated	\$10,415			\$10,269
Net	\$15,416	(\$146)	\$	\$15,270

Depreciation is computed using the straight-line method.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Sewage Disposal System Funds:				
Business-Type Activities	Balance at March 31, <u>2005</u>	Additions	Deletions	Balance at March 31, <u>2006</u>
Capital Assets being Depreciated				
Equipment	\$6,024	\$	\$	\$6,024
Utility plant	1,750,339			1,750,339
Subtotals	\$1,756,363	\$	\$	\$1,756,363
Less Accumulated Depreciation	(747,803)	(44,534)		(792,337)
Net	\$1,008,560	(\$44,534)	\$	\$964,026

Depreciation is computed using the straight-line method.

NOTE J – JOINT VENTURES

GOGEBIC RANGE WATER AUTHORITY

Bessemer Township is a member of Gogebic Range Water Authority, which was created in 1977 by the Cities of Bessemer and Wakefield and the Townships of Bessemer, Wakefield and most recently the Charter Township of Ironwood joined. The purpose of the authority is to develop water sources for its members and others.

The governing board of the Authority consists of eleven members, two appointed by each of the constituent's municipalities and one at large member appointed by the board of directors. The members have no control over budgeting and financing other than the input of its two board members on the authority board. The Authority operates independent from its member municipalities and is not considered to be a component unit of the Township.

Separate financial statements of the Authority are available through their representatives at PO Box 445, Ramsay, Michigan. A condensed summary of the Authority's activities for the year ended June 30, 2005, is as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Total Assets	\$13,286,514
Total Liabilities	<u>\$ 5,171,926</u>
Total Equity	<u>\$ 8,114,588</u>
Total Operating Revenues	\$ 404,355
Capital Contributions	\$1,026,000
Total Operating Expenditures	\$ 253,194
Total Non Operating Expense	<u>\$ 119,470</u>
Net Increase in Equity	<u>\$1,057,691</u>
Authority debt is as follows:	
Current	\$ 286,307
Long Term	<u>4,885,619</u>
Total Debt	<u>\$5,171,926</u>

All debt of the Authority is expected to be paid by the revenues of the authority. On October 5, 2000, April 1, 2003 and September 15, 2004, the Authority issued Water System No. 1 Limited Tax General Obligation Bonds, Series 2000, 2003 and 2004. Series 2000, 2003 and 2004 were issued for \$2,833,000, \$1,339,000 and \$726,000 bearing interest rates of 4.5%, 3.25% and 4.275%, respectively. These were single issue bonds purchased by USDA-Rural Development.

The Authority charges Bessemer Township for water sold to them. Construction and related financing costs are allocated and billed by the Authority to the member municipalities. The Authority based upon percentage of participation by each member, developed on a project-by-project basis, bills charges for these services. The financial dependency for future debt retirement payments could be adjusted based on rate charges to each member for water consumed and/or system expansion/improvements.

BESSEMER AREA SEWER AUTHORITY

Bessemer Township is a member of the Bessemer Area Sewer Authority, which was formed in 1985 by the City of Bessemer and Township of Bessemer, as a joint venture. The purpose of the Authority is to construct and operate a sewage disposal system in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The BASA operates under a board of directors comprising of members from the two municipalities.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

As a joint venture, the BASA operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the BASA are available at the office of the BASA located at E7840 Stone Road, Bessemer, Michigan.

A condensed summary of the BASA activities as of June 30, 2005, is as follows

Total Assets	\$8,209,122
Total Liabilities	\$2,488,683
Total Equity	\$5,720,439
Total Revenues	\$ 328,887
Total Expenditures	396,623
Net Decrease in Equity	(\$ 67,736)
Total Authority debt is as follows:	
Current	\$ 85,683
Long Term	2,403,000
Total Debt	\$2,488,683

All BASA debt is expected to be paid by the revenues of the authority. On June 17, 1987 issued \$1,700,000 of Sewage Disposal System No. 1 Bonds (Limited Tax General Obligation) pursuant to Act 233, Public Acts of Michigan, 1955, as amended. The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. Bonds are payable in annual installments due on May 1 of each year with interest installments at the annual rate of 5% a year, due on May 1 and November 1 of each year.

On May 11, 1998, a second Sanitary Sewage Disposal System Revenue Bonds of \$1,237,000 bearing an annual interest rate of 4.5% were issued. The same payment dates as above apply to this issuance. Since the Authority has been able to fulfill their payment obligations with revenues charged its customers, no debt payment schedules are disclosed.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

POWDERHORN AREA UTILITY DISTRICT

Bessemer Township is a member of the Powderhorn Area Utility District (PAUD), which was formed on December 11, 2001 as a municipal authority under provisions of Act 233 of Public Acts of Michigan, 1955, as amended. The municipalities forming the District were the Charter Township of Ironwood and Township of Bessemer, as a joint venture. The District was formed for the purpose of acquiring, building, owning, extending, improving, operating, maintaining, repairing and administering a sewage disposal and water supply system. PAUD operates under a board of directors consisting of three members, one appointed by the Township Board and two from the Township of Ironwood. PAUD operates independent from the member municipalities and is not considered a component unit of the Township. PAUD maintains its own financial statements and is available through their representative located at PO Box 455, Ramsay, MI.

The District is currently construction a sewage disposal system in an area served by individual customers systems. The anticipated costs associated with this system are \$7,737,050 of which \$6,355,800 is to be funded by USDA loan proceeds and \$1,381,250 in state grants. Each member municipality has agreed to the terms of a financing contract with the District which would hold each unit responsible to their pro-rata share (Bessemer Township 26.8%) of the cost of construction.

In December of 2003, the member municipalities started to levy a special assessment on the property located within the District. These funds are to be used to cover costs during the construction period. Future costs are anticipated to be funded by user charges and special assessments. The District latest compiled financial statements for the year ended September 30, 2003 indicated minimum activity, which, does not reflect their current status. No updated financial data is currently available.

GOGEBIC RANGE SOLID WASTE MANAGEMENT AUTHORITY

Bessemer Township is a member of the Gogebic Range Solid Waste Management Authority, which was created on August 6, 1987 by the Cities of Bessemer and Wakefield, and the Townships of Bessemer, Ironwood, and Marenisco as a joint venture. The purpose of the Authority is to construct and operate a solid waste transfer services to its members, other municipalities and the general public. The Authority was organized in accordance with Act 233, Public Acts of Michigan, 1955 as amended. The Authority operates under a board of directors comprised of members from the constituent municipalities.

The Authority operates independent from the member municipalities and is not considered a component unit of the Township. Separate financial statements of the GRSWMA are available at the office of the GRSWMA located on US 2, Ironwood, Michigan.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

A condensed summary of the GRSWMA activities as of June 30, 2005, is as follows

Total Assets	\$1,097,290
Total Liabilities	\$ 406,467
Total Equity	\$ 690,823
Total Revenues	\$ 640,112
Total Expenditures	674,149
Net Decrease in Equity	(\$ 34,037)

Total Authority debt is as follows:

Current	\$ 82,567
Long Term	323,900
Total Debt	\$ 406,467

The Authority issued \$476,000 in Solid Waste Disposal System Bonds No. 1, Series 2003, in the fall of 2003 in defraying improvement costs and refinance existing indebtedness, whereas, only \$354,900 were utilized, allowing for the unused balance to be applied against the outstanding bond issuance. Bonds are payable in annual installments due on February 1 of each year with interest installments at the annual rate of 4.5% a year, due on February 1, and August 1 of each year.

The Authority has entered into a contract with each of the constituent municipalities whereby the municipalities have each pledged its limited tax full faith and credit for the payment of the municipality's share of the obligation. The municipalities will be required to levy ad valorem taxes within applicable constitutional and statutory limitations on all taxable property within their boundaries to the extent necessary to make the payments required to pay principal and interest on the bonds if other funds for that purpose are not available. The Township pro-rata share would be approximately 15% of the outstanding bond balance. The Authority has been able to meet all their prior years' debt retirement payments with operating receipts.

NOTE K - ACCOUNTS PAYABLE

The General Fund's accounts payable were for normal expenditures.

The Proprietary Fund account payable balances were for normal expenditures at year-end.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE L - COMPENSATED ABSENCES

Employees are covered under a collective bargaining agreement. An employee shall be entitled to five days of vacation after 1 year of complete service. After two years of completed employment, the employee earns 7 vacation days. After five years of completed service, the employee shall be entitled to 11 days. Furthermore, each employee shall be entitled to 3 personal days per year. Two employees had earned \$1,164 in accrued benefits as of March 31, 2006.

NOTE M - LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended March 31, 2006, is as follows:

	<u>Balance at March 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at March 31, 2006</u>
Lease Purchase Agreement		\$53,900	\$11,535	\$42,365
Revenue Bond payable	\$396,000		4,500	391,500
Compensated absences	1,247		83	1,164
	<u>\$397,247</u>	<u>\$53,900</u>	<u>\$16,118</u>	<u>\$435,029</u>

Lease Purchase Agreement

The Township entered into a municipal lease purchase agreement in the acquisition of a tractor and loader. The Township arrangement was to finance \$53,900, with annual payments of \$11,532 due on September 22nd at 7.25% interest rate, with a final purchase option of \$5,000. Interest is being accrued as of March 30, 2006. Repayment schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$8,086	\$3,446	\$11,532
2008	9,087	2,445	11,532
2009	9,743	1,789	11,532
2010	10,449	1,083	11,532
2011	5,000		5,000
	<u>\$42,365</u>	<u>\$8,763</u>	<u>\$51,128</u>

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Enterprise Fund Revenue Bonds Payable

Enterprise fund revenue bonds payable consist of the following debts:

1. Sewer System Mortgage Revenue Bonds \$194,000 issued August 28, 1995, bearing interest at 4.50%. Payments On May 15 and October 29, with final maturity on October 29, 2035.	\$183,000
2. Sewer System Mortgage Revenue Bonds \$223,000 issued February 11, 1997, bearing interest at 4.50%. Payments On May 15 and October 29, with final maturity on October 29, 2035.	<u>208,500</u> <u>\$391,500</u>

Revenue Bonds

On August 28, 1995, the Township issued \$194,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year. As of March 31, 2006, \$183,000 of the bonds remained outstanding as follows:

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 3,000	\$ 8,167	\$11,167
2008	3,000	8,033	11,033
2009	3,000	7,897	10,897
2010	3,000	7,763	10,763
2011	3,000	7,627	10,627
2012	3,000	7,493	10,493
2013	4,000	7,335	11,335
2014	4,000	7,155	11,155
2015	4,000	6,975	10,975
2016	4,000	6,795	10,795
2017	5,000	6,592	11,592
2018	5,000	6,368	11,368
2019	5,000	6,142	11,142
2020	5,000	5,918	10,918
2021	6,000	5,670	11,670

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	6,000	5,400	11,400
2023	6,000	5,130	11,130
2024	6,000	4,860	10,860
2025	7,000	4,567	11,567
2026	7,000	4,253	11,253
2027	7,000	3,937	10,937
2028	8,000	3,600	11,600
2029	8,000	3,240	11,240
2030	8,000	2,880	10,880
2031	9,000	2,498	11,498
2032	9,000	2,092	11,092
2033	10,000	1,665	11,665
2034	10,000	1,215	11,215
2035	11,000	743	11,743
2036	<u>11,000</u>	<u>247</u>	<u>11,247</u>
	<u>\$183,000</u>	<u>\$152,257</u>	<u>\$335,257</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order.

These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

On February 11, 1997, the Township issued \$223,000 in Sewage Disposal System Revenue Bonds to partially finance the cost of acquiring and constructing the sewage system. The bonds bear interest at the rate of 4.5% per annum, which is payable semi-annually on May 15 and October 29 of each year. As of March 31, 2006, \$208,500 of the bonds remained outstanding as follows:

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 2,500	\$ 9,326	\$ 11,826
2008	3,500	9,191	12,691
2009	3,500	9,034	12,534
2010	3,500	8,876	12,376
2011	3,500	8,719	12,219
2012	3,500	8,561	12,061

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3,500	8,404	11,904
2014	3,500	8,246	11,746
2015	4,500	8,066	12,566
2016	4,500	7,864	12,364
2017	4,500	7,661	12,161
2018	4,500	7,459	11,959
2019	5,500	7,234	12,734
2020	5,500	6,986	12,486
2021	6,500	6,716	13,216
2022	6,500	6,424	12,924
2023	6,500	6,131	12,631
2024	7,500	5,816	13,316
2025	7,500	5,479	12,979
2026	7,500	5,141	12,641
2027	7,500	4,804	12,304
2028	7,500	4,466	11,966
2029	8,500	4,106	12,606
2030	9,000	3,716	12,716
2031	9,000	3,308	12,308
2032	10,000	2,880	12,880
2033	11,000	2,408	13,408
2034	11,000	1,813	12,813
2035	12,000	1,395	13,395
2036	12,000	855	12,855
2036	<u>13,000</u>	<u>293</u>	<u>13,293</u>
	<u>\$208,500</u>	<u>\$181,378</u>	<u>\$389,878</u>

Bonds are subject to redemption prior to maturity on any interest payment date in inverse numerical order. These revenue bonds are self-liquidating bonds and are not a general obligation of the Township of Bessemer, but are payable solely from the revenues of the system.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE N - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through four enterprise funds. Segment information as of March 31, 2006, follows:

	Water Fund	West End Sewer Fund	Anvil Sewer Fund	Ramsay Sewer Fund
Operating revenues	\$202,338	\$26,079	\$25,046	\$47,869
Total operating and				
Administrative exp	\$213,331	\$25,935	\$29,708	\$44,916
Depreciation expense \$	1,218	\$ 200	\$19,564	\$24,770
Operating income(loss)	(\$10,993)	\$ 144	(\$4,662)	\$ 2,953
Restrictive donations/grants	0	0	0	0
Operating transfers	0	0	0	0
Tax revenues	0	0	0	0
Increase (decrease) in				
Net Assets	(\$2,582)	\$ 339	(\$12,141)	(\$5,064)
Current capital contrib.	0	0	0	0
Increase (decrease) in				
fixed assets	\$ 1,072	\$ 0	\$ 0	\$ 0
Long-term debt payable				
from operating revenues	\$ 0	\$ 0	\$183,000	\$208,500
Net Assets				
Unrestricted (deficit)	\$16,166	\$34,236	\$127,410	\$72,711

NOTE O - CONTINGENT LIABILITY

The Township has entered into various contracts with the Gogebic Range Water Authority whereby the Township has agreed to pay a substantial share of periodic payments of principal and interest on revenue bonds issued by the Authority for construction of a water supply system to serve two local units. The obligation of the Township is limited to the amount that the periodic payments may exceed the revenue or other income of the system. The total extent the Township may be liable for cannot be readily determined since additional improvements are being undertaken and additional assurances are being made. It is expected that the future revenues of the system will not be sufficient to pay annual debt payments. Amounts transferred to the Authority for annual debt payments, bond reserve requirements, and administrative fees are as follows:

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Year ended March 31, 1987	\$ 31,865
March 31, 1988	14,058
March 31, 1989	18,273
March 31, 1991	21,851
March 31, 1992	19,723
March 31, 1993	23,430
March 31, 1994	23,430
March 31, 1996	22,493
March 31, 1997	22,493
March 31, 1998	25,773
March 31, 1999	32,802
March 31, 2000	28,116
March 31, 2001	43,117
March 31, 2002	56,187
March 31, 2003	68,003
March 31, 2004	49,328
March 31, 2005	54,065
March 31, 2006	<u>57,608</u>
Totals to date	<u>\$612,615</u>

The above payments are being expense in the period the contributions have been paid.

The Township has also entered into contracts with the Bessemer Area Sewer Authority to pledge its limited tax full faith and credit for the payment of the municipality's share of the outstanding bond indebtedness. It is anticipated that the revenues of the system will be sufficient in making the debt retirement payments as they are become payable.

The Township has become a joint member with Ironwood Township in forming the Powderhorn Area Utility District (PAUD) to seek a remedy to failing septic systems located in the Powderhorn area. Engineering studies have been completed and project was let on bids. See Note J regarding Joint Ventures. It is intended that the Powderhorn Area Utility District will be self-sufficient, relying on special assessments and rate charges to fund the improvements and future operations.

The Township has made a commitment to Gogebic Range Solid Waste Management to pledge its limited tax full faith and credit in the retirement of debt obligations. The amount of bonds authorized for issuance amounted to \$476,000 for equipment upgrades and improvements as of October 31, 2003. The Township would be responsible for approximately 15% or \$71,000. GRSWMA past debt retirement payments have been satisfied by operating revenues and has not requested financial assistance from the Township.

TOWNSHIP OF BESSEMER
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE P - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Township has cases pending before the Michigan Tax Tribunal for alleged excessive tax valuations on prior year's personal property tax levied and taxes collected. Management has hired legal counsel in defending its position and believes it has meritorious defenses and intends vigorously to contest such claims for overpayments. The Township believes that resolution of these appeals will not have a material adverse effect on its financial position, therefore, no loss contingencies are recognized in the enclosed financial statements. Otherwise, no other matters were present which would require recognition in the financial statements of the Township. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE Q – OPERATING LEASE

On September 1, 2003, The Township entered into an agreement with the Gogebic Range Water Authority to lease office space located in the township hall. This is an operating lease whereby either party may terminate the lease at will. The lease calls for the Authority to pay a monthly rent of \$300 less credit for capital improvements (\$9,237) made to the real estate. The lease effective date began on January 1, 2004.

REQUIRED
SUPPLEMENTAL
INFORMATION

TOWNSHIP OF BESSEMER
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2006

	Budgeted Amounts			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
REVENUES				
Taxes	\$248,250	\$248,250	\$272,018	\$23,768
Other taxes	35,800	35,800	11,216	(24,584)
Tax administrative fees	18,600	18,600	12,739	(5,861)
Licenses and permits	3,500	3,500	3,461	(39)
Rentals			5,954	5,954
Federal shared revenues			3,903	3,903
State shared revenues	107,832	107,832	126,161	18,329
Charges for services	24,000	24,000	27,862	3,862
Interest	2,500	2,500	8,526	6,026
Other revenue	4,500	4,500	8,146	3,646
	\$444,982	\$444,982	\$479,986	\$35,004
EXPENDITURES				
Legislative	\$74,400	\$67,900	\$50,773	\$17,127
General government	202,443	202,443	176,267	26,176
Public safety	28,750	28,750	37,625	(8,875)
Public works	188,350	194,850	152,838	42,012
Recreation and culture	13,200	13,200	16,073	(2,873)
Other	85,200	85,200	42,969	42,231
	\$592,343	\$592,343	\$476,545	\$115,798
EXCESS OF REVENUES (EXPENDITURES)	(147,361)	(147,361)	3,441	150,802
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds				
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	(\$147,361)	(\$147,361)	\$3,441	\$150,802
Fund Balance at 3/31/2005	573,973	573,973	573,973	
FUND BALANCE MARCH 31, 2006	\$426,612	\$426,612	\$577,414	\$150,802

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
For the Year ended March 31, 2006

Budgeted Amounts

Revenues	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Taxes:				
Current property taxes	\$248,250	\$248,250	\$272,018	\$23,768
Delinquent property taxes	24,250	24,250	76	(24,174)
Commercial forest reserve	11,500	11,500	11,140	(360)
Swamp taxes	50	50		(50)
Tax administrative fees	18,600	18,600	12,739	(5,861)
Total taxes	302,650	302,650	295,973	(6,677)
Federal shared revenues			3,903	3,903
State shared revenues	107,832	107,832	126,161	18,329
Licenses and permits	3,500	3,500	3,461	(39)
Charges for services	24,000	24,000	27,862	3,862
Rent			5,954	5,954
Reimbursements	3,000	3,000		(3,000)
Miscellaneous	1,500	1,500	6,284	4,784
Property sales			1,862	1,862
Interest income	2,500	2,500	8,526	6,026
	7,000	7,000	22,626	15,626
TOTAL REVENUES	444,982	444,982	479,986	35,004
Other financing sources-Transfer from other funds				
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$444,982	\$444,982	\$479,986	\$35,004

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$4,780	
Office supplies			3,144	
Communications			4,632	
Professional fees			8,532	
Transportation			107	
Printing and publishing			1,994	
Insurance			22,305	
Training			2,167	
Miscellaneous			351	
Subscriptions and dues			832	
Contributions			1,889	
TOTAL LEGISLATIVE	74,400	67,900	50,773	17,127
GENERAL GOVERNMENT				
Supervisor:				
Salary			15,000	
Per diem			160	
Fringe benefits			6,276	
Office supplies			54	
Transportation			229	
Training			70	
TOTAL SUPERVISOR	21,800	21,800	21,789	11
Election:				
Wages			490	
Office supplies			560	
Publications			216	
Miscellaneous			34	
TOTAL ELECTION	2,200	2,200	1,300	900

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Assessor:				
Wages			9,000	
Miscellaneous			12	
TOTAL ASSESSOR	12,100	12,100	9,012	3,088
Clerk:				
Salary			19,734	
Deputy clerk			79	
Per diem			372	
Fringe benefits			6,276	
Supplies			406	
Transportation			49	
Miscellaneous			354	
Training			70	
TOTAL CLERK	27,843	27,843	27,340	503
BOARD OF REVIEW	1,000	1,000	1,050	(50)
Treasurer:				
Salary			20,000	
Deputy treasurer			169	
Per diem			718	
Fringe benefits			2,234	
Office supplies			2,193	
Transportation			119	
Contract cost			3,736	
Training			72	
TOTAL TREASURER	35,500	35,500	29,241	6,259

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Township Properties:				
Wages			22,465	
Fringe benefits			3,138	
Supplies			4,489	
Utilities			23,833	
Repair & maintenance			14,481	
Transportation			4,279	
Miscellaneous			136	
Equipment			13,714	
TOTAL TOWNSHIP PROPERTIES	102,000	102,000	86,535	15,465
TOTAL GENERAL GOVERNMENT	202,443	202,443	176,267	26,176
Public Safety				
Fire:				
Wages			10,029	
Supplies			2,219	
Repair & maintenance			7,186	
Miscellaneous			96	
Dues and subscriptions			2,155	
Equipment			8,432	
TOTAL FIRE PROTECTION	19,500	19,500	30,117	(10,617)
INSPECTIONS	4,500	4,500	4,147	353
ZONINGS	4,750	4,750	3,361	1,389
TOTAL PUBLIC SAFETY	28,750	28,750	37,625	(8,875)

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
MAJOR GOVERNMENTAL FUND-GENERAL FUND
STATEMENT OF EXPENDITURES
BUDGET AND ACTUAL
For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Public Works				
Street & Sidewalks:				
Wages			7,654	
Supplies			170	
Street lights			15,485	
Miscellaneous			194	
Capitol outlays			94,947	
TOTAL STREET & SIDEWALKS	131,450	125,950	118,450	7,500
Solid Waste:				
Wages			9,835	
Supplies			929	
Miscellaneous			280	
Transportation			2,095	
Tipping fees			21,249	
TOTAL SOLID WASTE	56,900	68,900	34,388	34,512
TOTAL PUBLIC WORKS	188,350	194,850	152,838	42,012
Recreation and Culture				
Parks:				
Wages			4,961	
Supplies			983	
Utilities			83	
Repairs & maintenance			10,046	
TOTAL RECREATION & CULTURE	13,200	13,200	16,073	(2,873)

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
 MAJOR GOVERNMENTAL FUND-GENERAL FUND
 STATEMENT OF EXPENDITURES
 BUDGET AND ACTUAL
 For the year ended March 31, 2006

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Other:				
Payroll taxes	14,500	14,500	12,092	2,408
Fringe benefits	21,500	21,500	18,260	3,240
Debt service:				
Principal	12,000	12,000	11,535	465
Interest				
Miscellaneous	37,200	37,200	1,082	36,118
TOTAL OTHER	85,200	85,200	42,969	42,231

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
March 31, 2006

	<u>Water</u>	<u>West End Sewer</u>	<u>Anvil Sewer</u>	<u>Ramsay Sewer</u>	<u>Totals</u>
ASSETS					
Current Assets:					
Cash	\$51,822	\$34,436	\$52,199	\$70,974	\$209,431
Accounts receivable-net	43,968	2,213	9,984	11,209	67,374
Due from other funds	18,182	9,936	70,534	24,300	122,952
Supplies inventory (at cost)	3,409				3,409
Accrued interest income	100				100
Prepaid expenses	2,076	484	483	415	3,458
Total Current Assets	119,557	47,069	133,200	106,898	406,724
Noncurrent Assets:					
Restricted cash			9,200	22,628	31,828
Capital assets	141,409	2,000	780,947	973,416	1,897,772
Accumulated depreciation	(126,139)	(1,300)	(185,325)	(605,712)	(918,476)
Total Noncurrent Assets	15,270	700	604,822	390,332	1,011,124
TOTAL ASSETS	\$134,827	\$47,769	\$738,022	\$497,230	\$1,417,848
LIABILITIES AND NET ASSETS					
Current Liabilities:					
Accounts payable	\$13,087	\$1,618	\$142	\$838	\$15,685
Accrued wages/taxes	1,962				1,962
Accrued interest payable			2,746	3,129	5,875
Current maturity on LT Debt			2,000	2,500	4,500
Total Current Liabilities	15,049	1,618	4,888	6,467	28,022
Noncurrent Liabilities:					
Due to other funds	88,342	11,215	2,902	30,220	132,679
Bonds payable			183,000	208,500	391,500
Less current portion on LT Debt			(2,000)	(2,500)	(4,500)
TOTAL LIABILITIES	103,391	12,833	188,790	242,687	547,701
Investment in capital assets, net of related debt	15,270	700	412,622	159,204	587,796
Restricted			9,200	22,628	31,828
Unrestricted	16,166	34,236	127,410	72,711	250,523
TOTAL NET ASSETS	31,436	34,936	549,232	254,543	870,147
TOTAL LIABILITIES AND NET ASSETS	\$134,827	\$47,769	\$738,022	\$497,230	\$1,417,848

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
March 31, 2006

	<u>Water</u>	<u>West End Sewer</u>	<u>Anvil Sewer</u>	<u>Ramsay Sewer</u>	<u>Totals</u>
Operating revenues:					
Sales to customers	\$195,388	\$23,751	\$25,046	\$47,869	\$292,054
Other revenues	6,950	2,328			9,278
Total Operating Revenues	\$202,338	\$26,079	\$25,046	\$47,869	\$301,332
Operating expenses					
Water purchased/contract cost	\$83,256	\$19,417	\$	\$	\$102,673
Depreciation	1,218	200	19,564	24,770	45,752
Wages and taxes	26,046	2,993	3,343	7,408	39,790
Transportation	2,786	1,041	925	772	5,524
Insurance	4,782	469	2,810	2,938	10,999
Utilities	7,879	183	1,112	6,569	15,743
Rental	3,460	807	807	692	5,766
Operating supplies/maintenance	15,538	425	781	1,443	18,187
Total Operating Expenses	144,965	25,535	29,342	44,592	244,434
Administrative expenses					
Wages and taxes	\$6,625				\$6,625
Contracted services	2,833	400	300	300	3,833
Office expenses	448				448
Publications/dues	375				375
Training	269				269
Miscellaneous	208		66	24	298
Contributions -GRWA	57,608				57,608
TOTAL OPERATING AND ADMINISTRATIVE EXPENSES	\$213,331	\$25,935	\$29,708	\$44,916	\$313,890
INCOME (LOSS) FROM OPERATIONS	(10,993)	144	(4,662)	2,953	(12,558)
Nonoperating revenues (expenses):					
Debt service/Tap in fees	7,009				7,009
Interest income	1,402	195	771	1,374	3,742
Interest expense			(8,250)	(9,391)	(17,641)
Changes in Net Assets	(\$2,582)	\$339	(\$12,141)	(\$5,064)	(\$19,448)
Net assets at March 31, 2005	34,018	34,597	561,373	259,607	889,595
NET ASSETS AT MARCH 31, 2006	\$31,436	\$34,936	\$549,232	\$254,543	\$870,147

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF BESSEMER
COMBINING STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
March 31, 2006

	Water	West End	Anvil	Ramsay	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$212,903	\$47,783	\$20,488	\$45,363	\$326,537
Payments to suppliers	(197,159)	(27,103)	(3,759)	(11,476)	(239,497)
Payments to employees	(32,003)	(2,993)	(3,343)	(7,408)	(45,747)
Net Cash Provided (Used) By Operating Activities	(16,259)	17,687	13,386	26,479	41,293
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Bond and/or debt service proceeds	7,009				7,009
Purchase of capital assets	(1,072)				(1,072)
Principal paid on bonds payable			(2,000)	(2,500)	(4,500)
Interest paid on bonds payable			(8,250)	(9,391)	(17,641)
Net Cash Provided (Used) for Capital and Related Financing Activities	5,937		(10,250)	(11,891)	(16,204)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest received on investments	1,402	195	771	1,373	3,741
Net Cash Provided (Used) by Investing Activities	1,402	195	771	1,373	3,741
Net Increase (Decrease) in Cash	(8,920)	17,882	3,907	15,961	28,830
Cash and Cash Equivalents 3/31/05	60,742	16,554	57,492	77,641	212,429
CASH AND CASH EQUIVALENTS, 3/31/ 2006	\$51,822	\$34,436	\$61,399	\$93,602	\$241,259
Reconciliation of operating income (loss) to Net Cash Provided from Operating Activities:					
Operating income (loss)	(\$10,993)	\$144	(\$4,662)	\$2,953	(\$12,558)
Adjustments to reconcile income (loss) to net cash provided (used) by operating activities:					
Depreciation	1,218	200	19,564	24,770	45,752
(Increase) decrease in:					
Account receivable	3,556	21,704	(4,558)	(1,253)	19,449
Due from other funds	(10,619)	(5,625)	2,170	749	(13,325)
Inventory	2,426				2,426
Accrued interest receivable	(64)				(64)
Prepaid expenses	(2,076)	(484)	(483)	(415)	(3,458)
(Decrease) increase in:					
Accounts payable	(4,398)	(26)	9	(206)	(4,621)
Accrued payroll/taxes	668				668
Accrued interest			(30)	(48)	(78)
Due to other funds	4,023	1,774	1,376	(71)	7,102
Total Adjustments	(5,266)	17,543	18,048	23,526	53,851
Net Cash provided by Operating Activities	(\$16,259)	\$17,687	\$13,386	\$26,479	\$41,293

The accompanying notes are an integral part of the financial statements

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Bessemer
Ramsay, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Bessemer as of and for the year ended March 31, 2006, which collectively comprise the Township of Bessemer basic financial statements and have issued our report thereon dated July 13, 2006. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Bessemer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit, we considered the Township of Bessemer's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions are described as follows:

2005-1 Non-compliance with Water Ordinance

The Township, being petitioned by local citizens, approved a water line extension to be accomplished under the direction of Gogebic Range Water Authority utilizing loan and grant monies available. The Township has an ongoing arrangement with the Authority to pay their share of the loan payments as they come due and payable. The Township authorized the Authority to build the distribution system without having establishing a special assessment district or another methodology in recovering the loan costs to be repaid. Furthermore, the water line has been built with the installation of fire hydrants; however, the citizens do not longer want to hook up to the system.

The Township will need to incorporate the additional debt service charges to all the system users. The Township Water Ordinance does require the mandate to hook up to the system within six months of being available; however, no enforcement action is being taken.

The Water Fund with limited equity lacks the ability to enter into additional line extensions without having the funding and method of debt repayment established in advance. The Township Board should exercise prudent judgment before additional projects are undertaken.

2005-2 Water Losses

The Township's records reflect water losses in excessive of 40% without identifying the location(s) or type of losses being experienced. This may be the result of faulty metering, water leaks, or other uses not being properly monitored.

The Township may be experiencing lost revenues or may need to accomplish mitigating efforts.

We recommend that the Township prepare a water loss prevention analysis. This should include the testing of meters and replacement as needed, search for and repair leaks, and account for all water losses not being metered (let run).


2005-3 Inventory

The Township has taken efforts in attempting to establish a comprehensive inventory of all Township holdings. The inventory listing should be prepared in sufficient detail to allow for an expedient annual review of all assets held by the Township. Furthermore, any assets deemed to be no longer of value or useful, should be deleted or sold by the Township Board. The listings currently being developed will need to be updated and reconciled to the listing being utilized by the Auditor.

If the Township cannot locate all assets purchased in prior years, a decision will need to be made as to how this will be handled with the sole purpose of creating and maintaining an accurate listing of all assets currently available for Township use.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no other matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses except as described above.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

July 13, 2006